

PUERTO RICO TELEPHONE COMPANY, INC.
PART 64
COST ALLOCATION MANUAL

Section III - INCIDENTAL ACTIVITIES

In accordance with the Report and Order released February 6, 1987, in CC Docket No. 86-111, all tariffed services, services detariffed at the interstate level only, and basic services deregulated at the state level are to be treated as regulated. Telephone company services classified as "incidental activities" are also to be treated as regulated, with their costs being subject to jurisdictional separations and remaining in the pool of costs recoverable through regulated rates. (These costs are not, in fact, recovered through regulated rates; rather, revenues resulting from contracts for these services are offset against regulated revenue requirements in the ratemaking process.)

In order to qualify as an incidental activity, a service must satisfy five qualitative criteria and one quantitative criterion. First, the service must be an outgrowth of regulated operations, must traditionally be accorded regulated accounting treatment, must not be a line of business, must use minimal incremental resources or investment and the additional financial or other risk to the regulated operation is negligible. Second, the service cannot be offered as a separate line of business. Six activities meet these criteria:

Building rental - PRTC derives revenue from leasing space in several of its buildings to nonaffiliated third parties. These services are not tariffed and are not part of a line of business.

Pole attachment rental - PRTC rents space on certain of its telephone poles to a cable television company on a contractual basis. These services are not tariffed and are not part of a line of business.

Underground conduit rental - PRTC rents space in underground conduits to a cable television company on a contractual basis. These services are not tariffed and are not part of a line of business.

Antenna rental - PRTC also derives revenue from television stations that place parabolic antennas on PRTC's facilities. These services are not tariffed and are not part of a line of business.

Training - PRTC derives limited revenue from non-affiliated company employees attending technical courses offered by PRTC. These services are not tariffed and are not part of a line of business.

Vending machine commissions - The unaffiliated owners of select vending machines that are located in Company premises pay commissions to PRTC. These services are not tariffed and are not part of a line of business.

These services together meet the quantitative criterion, which is that their combined revenues not exceed one percent of total telephone company revenues.

PUERTO RICO TELEPHONE COMPANY, INC.
PART 64
COST ALLOCATION MANUAL

Section IV - CHART OF AFFILIATES

ENVIRONMENT AND CORPORATE STRUCTURE

The Puerto Rico Telephone Company, Inc. (PRTC), a Puerto Rico corporation is the incumbent local exchange carrier for the island of Puerto Rico. Verizon Communications (Verizon) through Telecomunicaciones de Puerto Rico, Inc. (TELPRI) controls PRTC. TELPRI was acquired by GTE Corporation on March 2, 1999 through a privatization of the Company from the Commonwealth of Puerto Rico. GTE and Bell Atlantic later merged on June 30, 2000 to form Verizon.

On January 25, 2002, Verizon, through its subsidiary GTE Holdings (Puerto Rico) LLC, and Popular, Inc. acquired an additional 12% and 3% respective interest in the Company by exercising an option each held since the acquisition in March 1999. Verizon and Popular obtained the additional ownership interest from PRTA holdings.

TELPRI's ownership interest is comprised of the following shareholders.

<u>NAME OF BENEFICIAL OWNER</u>	<u>SHARES</u>	
	<u>NUMBER</u>	<u>PERCENTAGE</u>
GTE Holdings (Puerto Rico) LLC	13,003,276	52.01
Popular, Inc	3,246,749	12.99
PRTA Holdings Corporation	6,999,975	28.00
Employee Stock Ownership Plan	<u>1,750,000</u>	<u>7.00</u>
Total	<u>25,000,000</u>	<u>100.00</u>

PRTC Directories, Inc. (Directories), a wholly owned subsidiary of PRTC, has a 40% participation in Caribe Information Investments Incorporated (CII) which is to be engaged in the business of pursuing investment opportunities in the information services industry. CII has a 60% participation in Verizon Information Services-Puerto Rico Inc. (formerly Axesa Información Incorporado) and a 59.4% participation in Verizon Information Services-Puerto Rico Inc., S. en C. (formerly Axesa Información Incorporado y Compañía S. en C. (Axesa the Partnership)). Verizon Information Services-Puerto Rico Inc. has a 1% interest in Verizon Information Services Puerto Rico, Inc., S. en C. The remaining 39.6% of the participation is VNU World Directories, Inc.

PRTC has a Directory Publishing Agreement with Verizon Information Services-Puerto Rico Inc., S. en C. under which Verizon Information Services-Puerto Rico Inc., S. en C. will publish all of PRTC's telephone directories starting in the year 2000 and for ninety-five years thereafter. PRTC will receive 35% of the revenues generated by this Agreement.

On May 1, 2002, the Company completed a reorganization whereby it merged Verizon Wireless Puerto Rico, Inc. into PRTC. Prior to the merger, the Company created a new, wholly owned subsidiary, PRT Larga Distancia (PRTLTD), to carry the off-island long distance business previously provided by Verizon Wireless.

The following chart (Exhibit 3) illustrates the relationship PRTC maintains with TELPRI and TELPRI's other subsidiaries/affiliates. All affiliate relationships are fully explained in Section V, Affiliate Transactions.

PUERTO RICO TELEPHONE COMPANY, INC.
PART 64
COST ALLOCATION MANUAL

Section V - AFFILIATE TRANSACTIONS

PRTC has departments that are primarily dedicated to nonregulated activities (e.g, the installation of PBX's and multi-line systems), but there are no separate subsidiaries under PRTC besides PRTC Directories. PRTC Directories provides all PRTC's directory publishing services and electronic yellow pages through Verizon Information Services Puerto Rico, Inc., S. en C.

The accounting for TELPRI's financing function is performed by PRTC's accounting departments. This activity is accounted for in accordance with Section 32.27 of the Commission's Rules. TELPRI has three other subsidiaries in addition to PRTC, i.e. Coquí.net Corporation, **PRT Larga Distancia, Inc.** and Datacom Caribe, Inc.

I. VALUATION METHODS:

The following FCC valuation methodologies will be used to account for transactions between regulated and nonregulated affiliates.

In the determination of fully distributed cost, PRTC includes a rate of return component based on the interstate return authorized by the FCC (currently 11.25%).

Valuation Methods for the Sale or Transfer of Assets:

- (1) "tariffed rate" -- is used when assets are sold or transferred between PRTC and its affiliates pursuant to existing tariffs, including a tariff filed with the Puerto Rico Telecommunications Regulatory Board (TRB).
- (2) "prevailing price" -- is used when non-tariffed assets are sold or transferred between PRTC and its affiliates that qualify for prevailing price. To qualify for prevailing price, the sale of a particular asset must encompass greater than 25% of the total quantity of such product sold by an entity to nonaffiliated third parties. PRTC shall apply this 25% threshold on an asset-by-asset basis rather than on a product-line basis.
- (3) "higher of fair market value and net book cost" -- is used for all other assets sold by or transferred from PRTC to its affiliates.
- (4) "lower of fair market value and net book cost" -- is used for all other assets purchased by or transferred to PRTC from its affiliates.

Valuation Methods for the Provision of Services:

- (1) "tariffed rate" -- is used when services are sold or transferred between PRTC and its affiliates pursuant to existing tariffs, including a tariff filed with the TRB.
- (2) "rate pursuant to a publicly-filed agreement" -- is used when non-tariffed services are sold or transferred between PRTC and its affiliates pursuant publicly filed agreements submitted to the TRB pursuant to section 252(e) of the Communications Act of 1934, as amended, (the Act) or statements of generally available terms pursuant to section 252(f).
- (3) "prevailing price" -- is used when non-tariffed services are sold or transferred between PRTC and its affiliates that qualify for prevailing price. To qualify for prevailing price, the sale of a particular service must encompass greater than 25% of the total quantity of such service sold by an entity to nonaffiliated third parties. PRTC shall apply this 25% threshold on a service-by-service basis rather than on a service-line basis.
- (4) "higher of fair market value and fully distributed cost" -- is used for all other services sold by PRTC to its affiliates.
- (5) "lower of fair market value and fully distributed cost" -- is used for all other services purchased by PRTC from its affiliates.
- (4) "fully distributed cost"—is used for affiliates which exist solely to provide services to PRTC's corporate family. This billing includes the authorized interstate rate of return (11.25%).

PRTC includes in this manual a list of all affiliates with which it performs transactions, purporting to classify each transaction in the possible categories identified in Exhibits 4 & 5. Two matrices have been developed to accommodate transactions under one of two classifications, namely:

- Services Provided by PRTC (Exhibit 4)
- Services Received by PRTC (Exhibit 5)

Both matrices list the affiliates and types of services being provided. A "TR" is used to classify the service as "Tariffed Rate", "FMV" for "Fair Market Value", "PFA" for Publicly Filed Agreement/Statement of Generally Available Terms, "PP" for Prevailing Price, NBC for Net Book

Cost and FDC for "Fully Distributed Costing." Most services are provided on an on-going, usually monthly basis.

II. PRTC List of Affiliates

1. Verizon Information Services Puerto Rico, Inc.
2. GTE Communication Systems Corporation
3. **GTE Telecommunications International, Inc.**
4. **Verizon Corporate Service Group, Inc.**
5. Verizon Network Services
6. Informática y Telecomunicaciones (INFOTEL)
7. Verizon Network Integration Corp.
8. PRT Larga Distancia, Inc.
9. Coqui.Net Corp.
10. Codetel International Communications, Inc.
11. **Codetel C. por A.**
12. TELUS Mobility, Inc.
13. Cellco Partnership
14. **Telecomunicaciones Movilnet, C.A.**
15. **Verizon North, Inc.**
16. **Verizon Data Services, Inc.**

Exhibit 4

Affiliate Transactions from PRT to Affiliate								
Asset / Service Provided	Verizon Information Services Puerto Rico, Inc S en C	Coqui net Corporation	PRT Larga Distancia, Inc	CODETEL International Communications, Inc	CODETEL C por A	Cellco Partnership	TELUS Mobility, Inc	Telecomunicaciones Movinet, C.A.
Tariffed Rate								
Telecommunications Services	M	M	M	M				
Publicly Filed Agreement								
Prevailing Price								
Billing and Collection Services	M	M	M					
Telecommunications Carrier Services			M					
Wireless Roaming Service					M	M	M	M
Operator Services			M					
Assets - Higher of Fair Market Value and Net Book Cost								
Services - Higher of Fair Market Value and Fully Distributed Cost								
Directory Listings (FDC)	M							
Marketing and IT support (FDC)			M					
General Services (FDC)		M	M					
Building Space Rent (FMV)			M					
Network Surveillance Services (FDC)		M						
LD Switch Maintenance Services (FDC)			M					
Legend								
D = Daily								
W = Weekly								
M = Monthly								
Q = Quarterly								
A = Annually								
O = Occasionally								

Exhibit 5

Affiliate Transactions from Affiliate to PRT

Asset / Service Provided	Tariffed Rate	Telecommunication Services	Local Number Portability Svcs.	Publicly Filed Agreement	Prevailing Price	Telemarketing	Advertising	Telephone Materials and Equipment	Equipment Repair	Operator Services	Network Management Systems	Wireless Roaming Service	Official Company Long Distance	Assets - Lower of Fair Market Value and Net Book Cost	Services - Lower of Fair Market Value and Fully Distributed Cost	Leasing of employees (FDC)	Management, Legal & Reg. advice (FDC)	DSL Help Desk Services (FDC)	Fully Distributed Cost	Network Management Systems	Audit Services	Wireless Technical Assistance Svcs.	Information & Network Security Svcs.	Legend
																								D = Daily W = Weekly M = Monthly Q = Quarterly A = Annually O = Occasionally
Verizon Information Services Puerto Rico, Inc. S en C							M																	
GTE Communication Systems Corporation								M																
Verizon Corporate Services Group, Inc.																								
GTE Telecommunications International, Inc.																								
Verizon Network Services		M																						
Verizon Network Integration, Corp																								
PRT Larga Distancia, Inc																								
Verizon North, Inc			M																					
Verizon Data Services, Inc.																								
Informática y Telecomunicaciones C por A							M																	
Coqui.net Corporation																								
CODETEL C. por A.																								
Calico Partnership																								
TELUS Mobility, Inc.																								
Telecomunicaciones Movinet, C.A.																								

PUERTO RICO TELEPHONE COMPANY, INC.
PART 64
COST ALLOCATION MANUAL

Section VI - COST APPORTIONMENT TABLES

SPECIAL TREATMENT OF COSTS

In addition to following the general cost apportionment guidelines summarized in Section I, PRTC's Cost Allocation Manual conforms with the Commission's directives concerning three of the most important cost categories: (1) network plant, (2) salaries and wages, and (3) marketing costs. Of these, the general allocation of marketing costs and network plant will be discussed here. Salaries and wages and all other facets of marketing costs are addressed in Section VII, Time Reporting Procedures.

Marketing General Allocator

Marketing costs are recorded in Accounts 6611-Product Management and Sales, 6613-Product Advertising, 6623-Customer Services and 6720-General and Administrative. PRTC has established cost pools to segregate the marketing costs in these accounts based on those directly assignable to regulated and nonregulated, those indirectly attributable to regulated and nonregulated, and those that are common (the company does not incur marketing costs for which direct established cost pools to segregate the marketing costs in these accounts based on those directly attribution is appropriate). As the Cost Apportionment Tables for these accounts indicate, costs identified as directly assignable are directly assigned to regulated or nonregulated, as appropriate. For indirectly attributable costs, attribution methods are presented in the Tables. All marketing costs that are determined to be common are allocated to the regulated and nonregulated categories on the basis of the Marketing General Allocator.

The Marketing General Allocator reflects the relative regulated and nonregulated portions of directly assigned and indirectly attributed marketing costs contained in Accounts 6611, 6613 and 6623 (marketing costs contained in Account 6722 are entirely common, and do not enter into this calculation). The sum of directly assigned and indirectly attributed nonregulated marketing costs in these accounts are divided by the total directly assigned and indirectly attributed marketing costs in these accounts to calculate the Marketing General Allocator allocation of common marketing costs to nonregulated.

Network Plant

Section 64.901(b)(4) of the Commission's Rules states:

The allocation of central office equipment and outside plant investment costs between regulated and nonregulated activities shall be based upon the relative regulated and

nonregulated usage of the investment during the year when nonregulated usage is greatest in comparison to regulated usage during the three consecutive years following the effective date of the current annual access filing.

None of the nonregulated activities currently offered by PRTC makes use of regulated central office equipment or outside plant, except when regulated services charged at tariff prices are used in the provision of these nonregulated activities. See Section II for a list of these activities.

If and when common use of investment appears probable, this Manual will be revised to take into account the forward-looking allocator mandated by the Commission in such circumstances.

The tables contained in this section describe PRTC's cost apportionment procedures on an account-by-account basis. All Part 32 Class A accounts that are subject to jurisdictional separations are included. Accounts that currently have zero balances, e.g., Account 2113, Aircraft, have been included for the sake of completeness.

The first two columns of the tables simply identify the account number and the account description as it appears in Part 32 of the Commission's Rules. The next three columns set forth the cost apportionment procedures that will be followed, with the final column providing elaboration as appropriate. The overriding objective in creating these tables was to be concise as possible but, at the same time, provide sufficient information to allow the Commission to evaluate the procedures PRTC will use and to allow for an informed attest audit of the procedures.

In some cases, the cost pool is the same as the account. This denotes that disaggregation of the account balance would not lead to appreciably greater precision of cost apportionment, or that such disaggregation is not cost beneficial given the size of the account balance.

In other cases, however, the splitting of the account balance into two or more cost pools does result in greater precision. This is especially true when (1) one or more of the resulting cost pools can be directly assigned to either regulated or nonregulated, (2) an account is used to record costs of varying origin, making a single allocator illogical from a cost-causative perspective, (3) an account has an unusually large balance and therefore deserves closer inspection, or (4) an account merits close scrutiny due to a disproportionately high percentage of nonregulated costs.

The means by which an account balance is disaggregated into cost pools is described in the fourth column. In some cases, the cost pool apportionment is available from PRTC's existing accounting system. This is the case, for example, when costs pools reflect the departments that book costs to a given account. In other cases, a periodic study is required. Each cost pool (or the entire account if there is no disaggregation) has its own factor for apportioning the balance or sub-balance between regulated and nonregulated activities. The factors used include:

- Direct assignment.
- Direct attribution.
- Indirect attribution.
- General Allocation.

The final "Comments" column provides additional explanation of the information provided in the first five columns.

**PUERTO RICO TELEPHONE COMPANY
COST APPORTIONMENT TABLES**

PART 32 ACCOUNT NO	ACCOUNT DESCRIPTION	COST POOLS	COST POOL APPORTIONMENT	REGULATED/NONREGULATED APPORTIONMENT BASIS	COMMENTS
1220	Materials and supplies	<p>1 Material and Supplies</p> <p>(a) Customer premises equipment (CPE)</p> <p>(b) Central office equipment and associated material</p> <p>(c) Outside plant equipment and associated material</p> <p>(d) Tools</p> <p>(e) Stationery and office supplies</p> <p>(f) Material held for future use</p> <p>(g) Public Telephones (Paystations)</p> <p>(h) Wireless equipment and associated material</p> <p>(i) Other stock material</p> <p>(1) Plant related</p> <p>(2) All Other</p> <p>2 Property held for sale or lease</p>	Direct identification through PRTC subaccounts	<p>1</p> <p>(a) Directly assigned to nonregulated</p> <p>(b) Indirect attribution based on relative regulated / nonregulated investment in Central Office equipment</p> <p>(c) Directly assigned to regulated</p> <p>(d) Indirect attribution based on relative regulated / nonregulated investment in accounts 2112, 2211-2232, 2311, 2341, 2351, 2362 and 2411-2441</p> <p>(e) Indirect attribution based on apportionment of total employees salaries and wages less plant specific salaries and wages</p> <p>(f) Indirect attribution based on relative regulated/nonregulated investment in associated plant account</p> <p>(g) Directly assigned to nonregulated</p> <p>(h) Directly assigned to nonregulated</p> <p>(i)</p> <p>(1) Indirect attribution based on relative regulated/nonregulated investment in associated plant account</p> <p>(2) Indirect attribution based on relative regulated/nonregulated total distribution of TPIS</p> <p>2 Indirect attribution based on relative regulated/nonregulated investment in associated plant account</p>	

PUERTO RICO TELEPHONE COMPANY
COST APPORTIONMENT TABLES

PART 32 ACCOUNT NO	ACCOUNT DESCRIPTION	COST POOLS	COST POOL APPORTIONMENT	REGULATED/NONREGULATED APPORTIONMENT BASIS	COMMENTS
1410	Other noncurrent assets	1. Regulated 2. Nonregulated 3. Common	Direct identification through subaccount detail	1 Directly assigned to regulated 2 Directly assigned to nonregulated 3 Indirect attribution based on the regulated/nonregulated apportionment of total salaries and wages	
1438	Deferred maintenance, retirements, and other deferred charges	Same as Account	N/A	1 Directly assigned to regulated	Account is not part of the ratemaking process
1500	Other jurisdictional assets- net	Not applicable (zero balance)			

PUERTO RICO TELEPHONE COMPANY
COST APPORTIONMENT TABLES

PART 32 ACCOUNT NO	ACCOUNT DESCRIPTION	COST POOLS	COST POOL APPORTIONMENT	REGULATED/NONREGULATED APPORTIONMENT BASIS	COMMENTS
2002	Property held for future telecommunications use	Not applicable (zero investment)			
2003	Telephone plant under construction - short term	1 Regulated 2 Nonregulated 3 Common	Direct identification through company subsidiary records	1 Directly assigned to regulated 2 Directly assigned to nonregulated 3 Indirect attribution based on relative regulated nonregulated telephone plant in service accounts	PRTC maintains accounting records with identify the investment associated with each property item included in this account. Investment identified as directly assignable to regulated or nonregulated will be accumulated in the appropriate cost pool. The remainder will be categorized in the common cost pool.

PUERTO RICO TELEPHONE COMPANY
COST APPORTIONMENT TABLES

PART 32 ACCOUNT NO	ACCOUNT DESCRIPTION	COST POOLS	COST POOL APPORTIONMENT	REGULATED/NONREGULATED APPORTIONMENT BASIS	COMMENTS
2005	Telephone plant adjustment	Not applicable (zero investment)			

0PUERTO RICO TELEPHONE COMPANY
COST APPORTIONMENT TABLES

PART 32 ACCOUNT NO	ACCOUNT DESCRIPTION	COST POOLS	COST POOL APPORTIONMENT	REGULATED/NONREGULATED APPORTIONMENT BASIS	COMMENTS
2111	Land	1 Regulated 2 Nonregulated 3 Common	Direct Identification through company's subsidiary records	1 Directly assigned to regulated 2 Directly assigned to nonregulated 3 Indirect attribution based on relative regulated / nonregulated investment in common building cost pool (account 2121)	N/A N/A
2112	Motor vehicles	1 Regulated 2 Nonregulated 3 Common a) Central Office	Based on results of a study performed by PRTC to determine vehicles use	1 Directly assigned to regulated 2 Directly assigned to nonregulated 3 a) Indirect attribution based on the regulated / nonregulated apportionment of current year salaries and wages associated to accounts 2210-2232 and 6210- 6232	PRTC motor vehicles records identify vehicle and vehicle investment with user department, which map directly to associated account cost pools The study of vehicles investment assignment by department is performed annually N/A Salaries and wages analysis used to distribute cost pools 3 (a) thru 3 (f) is associated only with the accounts that relate to said cost pools

PUERTO RICO TELEPHONE COMPANY
COST APPORTIONMENT TABLES

PART 32 ACCOUNT NO	ACCOUNT DESCRIPTION	COST POOLS	COST POOL APPORTIONMENT	REGULATED/NONREGULATED APPORTIONMENT BASIS	COMMENTS
2112 (continued)		b) Distribution Services		b) Indirect attribution based on the regulated / nonregulated apportionment of current year salaries and wages associated to accounts 2310-2441 and 6310-6441	
		c) Network Operations		c) Indirect attribution based on the regulated / nonregulated apportionment of current year salaries and wages in accounts 6113-6124 and 6510-6535	
		d) Customer Operations		d) Indirect attribution based on the regulated / nonregulated apportionment of current year salaries and wages in accounts 6610-6623	
		e) Corporate Operations		e) Indirect attribution based on the regulated / nonregulated apportionment of current year salaries and wages in account 6720	
		f) Motor Pool		f) Indirect attribution based on the regulated / nonregulated apportionment of current year salaries and wages of the employees served by the motor pool	
2113	Aircraft	Not Applicable (zero investment)			

PUERTO RICO TELEPHONE COMPANY
COST APPORTIONMENT TABLES

PART 32 ACCOUNT NO.	ACCOUNT DESCRIPTION	COST POOLS	COST POOL APPORTIONMENT	REGULATED/NONREGULATED APPORTIONMENT BASIS	COMMENTS
2114	Tools and Other Work Equipment	1 Special Purpose Vehicles 2 Garage Work Equipment 3 Other Work Equipment 4 Regulated 5 Nonregulated	Direct identification through PRTC accounts	1 Indirectly attributed in the same proportion as the combined distribution of salaries and wages in Accounts 2411 to 2441, and 6411 to 6441 2 Indirectly attributed in the same proportion as the combined distribution of investment in Accounts 2112, 2113, and the Special Purpose Vehicle and Other Work Equipment cost pools in Account 2114 3 Indirectly attributed in the same proportion as the combined distribution of salaries and wages in Accounts 2111, 2121, and 2211- 2441 and Accounts 6111, 6121 and 6211-6441, and 6531 - 6535 4 Directly assigned to regulated 5 Directly assigned to nonregulated	

PUERTO RICO TELEPHONE COMPANY
COST APPORTIONMENT TABLES

PART 32 ACCOUNT NO	ACCOUNT DESCRIPTION	COST POOLS	COST POOL APPORTIONMENT	REGULATED/NONREGULATED APPORTIONMENT BASIS	COMMENTS
2121	Buildings	<p>1 Regulated</p> <p>2 Nonregulated</p> <p>3 Common</p> <p>a) Regulated - Space rented to others</p> <p>b) Nonregulated</p> <p>c) C O</p>	Based on the results of PRTC's house service distribution analysis (see comment) applied to PRTC's subaccounts detail	<p>1 Directly assigned to regulated</p> <p>2 Directly assigned to nonregulated</p> <p>3</p> <p>a) Direct attribution to regulated</p> <p>b) Direct attribution to nonregulated</p> <p>c) Indirect attribution based on the relative regulated / nonregulated investment in accounts 2210-2232, excluding investment in C O equipment at buildings directly assigned to regulated or nonregulated activities</p>	<p>PRTC does not have, at present, any buildings whose activities could be exclusively classified as nonregulated</p> <p>N/A</p> <p>The house service distribution analysis is an annual study of owned, leased, and rented locations that have been approved by the Land & Building departments. Building investment or expense is distributed to departments based on square feet occupancy and then mapped to associated account based on department/Part 32 function code relationship</p>

PUERTO RICO TELEPHONE COMPANY
COST APPORTIONMENT TABLES

PART 32 ACCOUNT NO	ACCOUNT DESCRIPTION	COST POOLS	COST POOL APPORTIONMENT	REGULATED/NONREGULATED APPORTIONMENT BASIS	COMMENTS
2121 (continued)	Buildings	d) Distribution Services		d) Indirect attribution based on the regulated / nonregulated apportionment of current year salaries and wages in accounts 2310-2441 and 6310-6441, excluding salaries and wages of personnel assigned to buildings directly assigned to regulated or nonregulated activities	Salaries and wages analysis used to distribute cost pools 3(d) thru 3(g) is associated only with the accounts that relate to said cost pools
		e) Network Operations		e) Indirect attribution based on the regulated / nonregulated apportionment of current year salaries and wages in accounts 6110-6124 and 6510-6535, except 6121, excluding salaries and wages associated with personnel who are assigned to buildings that are directly assigned to regulated or nonregulated activities	
		f) Customer Operations		f) Indirect attribution based on the regulated / nonregulated apportionment of current year salaries and wages in accounts 6610-6623, excluding salaries and wages associated with personnel who are assigned to buildings that are directly assigned to regulated or nonregulated activities	

PUERTO RICO TELEPHONE COMPANY
COST APPORTIONMENT TABLES

PART 32 ACCOUNT NO.	ACCOUNT DESCRIPTION	COST POOLS	COST POOL APPORTIONMENT	REGULATED/NONREGULATED APPORTIONMENT BASIS	COMMENTS
2121 (continued)	Buildings	g) Corporate Operations		g) Indirect attribution based on the regulated / nonregulated apportionment of current year salaries and wages in account 6720, excluding such salaries and wages associated with personnel who are assigned to buildings that are directly assigned to regulated or nonregulated activities	

PUERTO RICO TELEPHONE COMPANY
COST APPORTIONMENT TABLES

PART 32 ACCOUNT NO	ACCOUNT DESCRIPTION	COST POOLS	COST POOL APPORTIONMENT	REGULATED/NONREGULATED APPORTIONMENT BASIS	COMMENTS
2122	Furniture	1 Regulated 2 Nonregulated 3 Common	N/A	1 Directly assigned to regulated 2 Directly assigned to nonregulated 3 Indirectly attributed in the same proportion as the combined distribution of total salaries and wages in Accounts 6511-6540, and 6611-6720	
2123	Office Equipment	1 Regulated 2 Nonregulated 3 Common	N/A	1 Directly assigned to regulated 2 Directly assigned to nonregulated 3 Indirectly attributed in the same proportion as the combined distribution of total salaries and wages in Accounts 6511-6540, and 6611-6720	

**PUERTO RICO 1 PHONE COMPANY
COST APPORTIONMENT TABLES**

PART 32 ACCOUNT NO	ACCOUNT DESCRIPTION	COST POOLS	COST POOL APPORTIONMENT	REGULATED/NONREGULATED APPORTIONMENT BASIS	COMMENTS
2124	General Purpose Computers	1 Mainframe Program Analysis - Regulated 2 Mainframe Program Analysis - Nonregulated 3 Mainframe Common Plant Specific 4 Mainframe Common Plant Nonspecific 5 Mainframe Common Customer Operations 6 Mainframe Common Corporate Operations 7 Administrative Personal Computers 8 Nonregulated	Direct identification of investment in mainframe and microcomputers through analysis of PRTC inventory records Mainframe distribution to cost pools based on analysis of PRTC charge back records (See comment) 8 Direct identification through PRTC's subaccount detail	1 Direct attribution to regulated 2 Direct attribution to nonregulated 3-6 Indirect attribution based on the relative regulated / nonregulated apportionment of salaries and wages associated with the expense accounts related to each cost pool 7 Indirect attribution based on the regulated / nonregulated apportionment of total employees salaries and wages less plant specific salaries and wages, excluding salaries and wages of those employees assigned to operations for which general purpose computers are directly assigned 8 Directly assigned to nonregulated	The PRTC job accounting system identifies CPU time associated with programs which are assigned to a cost pool based on their nature or function Study results are produced periodically throughout the year Adjustments not directly identified with departments are apportioned to the four functions defined under cost pools 3-6 Contains microcomputers used in the provision of nonregulated services
2211	Nondigital Switching	Not applicable (zero investment)			
2212.1	Digital Electronic Switching - Circuit	1 Regulated 2 Nonregulated	Direct identification through PRTC's subaccount detail	1 Directly assigned to regulated 2 Directly assigned to nonregulated	
2212.2	Digital Electronic Switching- Packet	1 Regulated 2 Nonregulated	Direct identification of investment through PRTC's subaccount detail	1 Directly assigned to regulated 2 Directly assigned to nonregulated	

PUERTO RICO TELEPHONE COMPANY
COST APPORTIONMENT TABLES

PART 32 ACCOUNT NO.	ACCOUNT DESCRIPTION	COST POOLS	COST POOL APPORTIONMENT	REGULATED/NONREGULATED APPORTIONMENT BASIS	COMMENTS
2220	Operator Systems	Same as Account	N/A	Directly assigned to regulated	
2231	Radio Systems	1 Regulated 2 Nonregulated	Directly identified from PRTC's subaccounts detail	1 Directly assigned to regulated 2 Directly assigned to nonregulated	
2232.1	Circuit Equipment - Electronic	1 Regulated 2 Nonregulated	Directly identified from PRTC's subaccounts detail	1 Directly assigned to regulated 2 Directly assigned to nonregulated	
2232.2	Circuit Equipment-Optical	1 Regulated 2 Nonregulated	Direct identification from PRTC's subaccounts detail	1 Directly assigned to regulated 2 Directly assigned to non- regulated	
2311	Station Apparatus	1 Regulated 2 Nonregulated	Directly identified from PRTC's subaccounts detail	1 Directly assigned to regulated 2 Directly assigned to non- regulated	N/A

PUERTO RICO TELEPHONE COMPANY
COST APPORTIONMENT TABLES

PART 32 ACCOUNT NO	ACCOUNT DESCRIPTION	COST POOLS	COST POOL APPORTIONMENT	REGULATED/NONREGULATED APPORTIONMENT BASIS	COMMENTS
2321	Customer Premises Wiring	Not applicable (zero investment)			
2341	Large Private Branch Exchanges	1 Regulated 2 Nonregulated	Directly identified from PRTC's subaccounts detail	1 Directly assigned to regulated 2 Directly assigned to nonregulated	N/A
2351	Public Telephones Terminal Equipment	Same as Account	N/A	Directly assigned to nonregulated	
2362	Other Terminal Equipment	1 Regulated 2 Nonregulated	Directly identified from PRTC's subaccounts detail	1 Directly assigned to regulated 2 Directly assigned to nonregulated	

PUERTO RICO TELEPHONE COMPANY
COST APPORTIONMENT TABLES

PART 32 ACCOUNT NO	ACCOUNT DESCRIPTION	COST POOLS	COST POOL APPORTIONMENT	REGULATED/NONREGULATED APPORTIONMENT BASIS	COMMENTS
2411	Poles	Same as Account	N/A	Directly assigned to regulated	
2421	Aerial Cable	Same as Account	N/A	Directly assigned to regulated	
2422	Underground Cable	Same as Account	N/A	Directly assigned to regulated	
2423	Buried Cable	Same as Account	N/A	Directly assigned to regulated	

1

PUERTO RICO TELEPHONE COMPANY
COST APPORTIONMENT TABLES

PART 32 ACCOUNT NO	ACCOUNT DESCRIPTION	COST POOLS	COST POOL APPORTIONMENT	REGULATED/NONREGULATED APPORTIONMENT BASIS	COMMENTS
2424	Submarine and Deep Sea Cable	Same as Account	N/A	Directly assigned to regulated	
2426	Intrabuilding Network Cable	Same as Account	N/A	Directly assigned to regulated	
2431	Aerial Wire	Same as Account	N/A	Directly assigned to regulated	
2441	Conduit Systems	Same as Account	N/A	Directly assigned to regulated	

PUERTO RICO 1 PHONE COMPANY
COST APPORTIONMENT TABLES

PART 32 ACCOUNT NO.	ACCOUNT DESCRIPTION	COST POOLS	COST POOL APPORTIONMENT	REGULATED/NONREGULATED APPORTIONMENT BASIS	COMMENTS
2681	Capital Leases	1 Land and Building Plant Specific 2 Land and Building Plant Nonspecific 3 Land and Building Customer Operations 4 Land and Building Corporate Operations 5 Office Equipment 6 Other Capital Leases 7 Regulated 8 Nonregulated	Direct identification of land and building, office equipment and other through subaccount detail Land and building further distributed to cost pools based on result of house service distribution analysis (See comment for account 2121)	1-4 Indirect attribution based on the regulated / nonregulated apportionment of employees salaries and wages associated with the expense accounts related to the cost pool 5 Indirect attribution based on the regulated / nonregulated apportionment of total employees salaries and wages less plant specific salaries and wages 6 Indirect attribution based on relative regulated / nonregulated apportionment in associated investment account (See comment) 7 Directly assigned to regulated 8 Directly assigned to nonregulated	6 Presently there is no investment identified for the Other Capital Leases cost pool
2682	Leasehold Improvements	1 Land and Buildings (a) Regulated (b) Nonregulated (c) Common 2 Other	Direct identification through PRTC subaccounts	1 (a) Directly assigned to regulated (b) Directly assigned to nonregulated (c) Indirect attribution based on relative regulated / nonregulated apportionment of capital leases - land and building cost pool 2 Indirect attribution based on relative regulated / nonregulated apportionment of associated investment	

PUERTO RICO 1 PHONE COMPANY
COST APPORTIONMENT TABLES

1

PART 32 ACCOUNT NO	ACCOUNT DESCRIPTION	COST POOLS	COST POOL APPORTIONMENT	REGULATED/NONREGULATED APPORTIONMENT BASIS	COMMENTS
2690	Intangibles	1 Intangibles - Network Software (a) Regulated (b) Nonregulated (c) Common 2 Intangibles - General Purpose Computers (a) Regulated (b) Nonregulated (c) Common	Direct identification through PRTC subaccounts	1 (a) Directly assigned to regulated (b) Directly assigned to non-regulated (c) Indirectly attributed in the same proportion as Investment in Accounts 2211-2232 2 (a) Directly assigned to regulated (b) Directly assigned to non-regulated (c) Indirectly attributed in the same proportion as Investment in Account 2124	

PUERTO RICO TELEPHONE COMPANY
COST APPORTIONMENT TABLES

PART 32 ACCOUNT NO	ACCOUNT DESCRIPTION	COST POOLS	COST POOL APPORTIONMENT	REGULATED/NONREGULATED APPORTIONMENT BASIS	COMMENTS
3100	Accumulated Depreciation	1 Motor Vehicles 2 Tools and Other Work Equipment 3 Buildings 4 Furniture 5 Office Equipment 6 General Purpose Computers 7 Central Office a) Regulated b) Nonregulated 8 Public Telephone Equipment 9 Other Terminal Equipment 10 Outside Plant 11 CPE	Direct Identification through PRTC Records	1-6 Indirect attribution based on the regulated / nonregulated apportionment of the associated investment account 7 a) Directly assigned to regulated b) Directly assigned to nonregulated 8 Directly assigned to nonregulated 9-10 Directly assigned to regulated 11 Directly assigned to nonregulated	

PUERTO RICO TELEPHONE COMPANY
COST APPORTIONMENT TABLES

PART 32 ACCOUNT NO	ACCOUNT DESCRIPTION	COST POOLS	COST POOL APPORTIONMENT	REGULATED/NONREGULATED APPORTIONMENT BASIS	COMMENTS
3200	Accumulated depreciation property held for future telecommunications use	Not applicable (zero balance)			
3410	Accumulated amortization - capitalized leases	1 Regulated 2 Nonregulated 3 Common	N/A	1 Directly assigned to regulated 2 Directly assigned to nonregulated 3 Indirect attribution based on the relative regulated / nonregulated apportionment of account 2681-cost pools 1 thru 6	

PUERTO RICO TELEPHONE COMPANY
COST APPORTIONMENT TABLES

PART 32 ACCOUNT NO	ACCOUNT DESCRIPTION	COST POOLS	COST POOL APPORTIONMENT	REGULATED/NONREGULATED APPORTIONMENT BASIS	COMMENTS
4040	Customer deposits	1 Regulated 2 Nonregulated 3 Common	Direct identification through PRTC subaccount detail	1 Directly assigned to regulated 2 Directly assigned to nonregulated 3 Indirect attribution based on the relative regulated / nonregulated apportionment of total revenues less public telephone revenues	
4100	Net current deferred operating income taxes	1 Property 2 Non-property	Direct identification through PRTC subaccount detail	1 Indirect attribution based on the regulated/nonregulated apportionment of total plant in service 2 General Allocator	